

Message Text

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PAGE 01 ALGIER 00181 261710Z

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05

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E.O. 11652: N/A

TAGS: ENRG, AG

SUBJ: LONG TERM GAS CONTRACT

1. SUMMARY: CABOT CORP. OF BOSTON HAS TENTATIVELY AGREED WITH SONATRACH ON LONG-TERM LNG CONTRACT CALLING FOR DELIVERY OF 1.25 BILLION CUBIC METERS PER YEAR OF NATURAL GAS. END SUMMARY.

2. EMBOFF MET JANUARY 20 WITH JOHN G. L. CABOT, VICE PRESIDENT OF CABOT CORPORATION, PARENT COMPANY OF DISTRIGAS (US), TO DISCUSS RESULTS OF HIS TALKS WITH SONATRACH ON LNG EXPORTS. CABOT NOTED THAT IN SHORT TWO-HOUR DISCUSSION, TWO SIDES HAD AGREED ON OUTLINES OF LONG-TERM ACCORD. AGREEMENT, WHICH WOULD TAKE EFFECT IN JANUARY 1978, CALLS FOR DELIVERY TO DISTRIGAS OF 45-55 BILLION CUBIC FEET PER YEAR OF GAS (ABOUT 1.25 BILLION CUBIC METERS PER YEAR).

3. IN CONTRAST TO OTHER US CONTRACTS SIGNED FALL 1975, CABOT NOTED THAT CONTRACT CALLS FOR SALE BY SONATRACH ON C.I.F. BASIS IN USA, I.E., SONATRACH VESSELS WOULD

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PAGE 02 ALGIER 00181 261710Z

TRANSPORT ALL LNG TO U.S. CABOT ADDED THAT HE EXPECTED

THAT THIS WOULD PUT LANDED COST OF LNG IN U.S. AT SLIGHTLY HIGHER LEVEL THAN OTHER U.S. LNG CONTRACTS. IN RETURN FOR HIGHER PRICE, CABOT SAID HE BELIEVED HE HAD RECEIVED FIRM SUPPLY GUARANTEE FROM SONATRACH. CABOT HAD BEEN TOLD, HE SAID, THAT IT WOULD HAVE FIRST CALL ON GAS PRODUCED BY FOURTH TRAIN AT SKIKDA (WHICH NOW UNDER CONSTRUCTION) UP TO CONTRACT AMOUNT. IN VIEW OF FIRMS'S PAST PROBLEMS IN GETTING DELIVERIES OF LNG FROM ALGERIA, CABOT FELT SUPPLY GUARANTEE QUESTION MOST IMPORTANT.

4. CABOT'S LONG-TERM CONTRACT IS IN ADDITION TO TWO OTHER EXISTING LNG CONTRACTS:

A. DISTRIGAS IS NOW RECEIVING LNG FROM ALGERIA UNDER TERMS OF CONTRACT ORIGINALLY SIGNED IN 1972. BECAUSE OF MALFUNCTIONING OF LNG LINES AT AKIKDA, VERY LITTLE GAS WAS RECEIVED UNTIL MID-1975. RECENTLY, HOWEVER, DELIVERIES HAVE IMPROVED TO RATE OF ABOUT 15 BILLION CUBIC FEET PER YEAR.

B. DISTRIGAS HAS EIGHTEEN-MONTH CONTRACT WHICH WILL GO INTO EFFECT JULY OF 1976 WITH DELIVERIES DUE TO RISE PROGRESSIVELY TO RATE OF 30 BILLION CUBIC FEET PER YEAR.

5. A FEW DETAILS REMAIN TO BE WORKED OUT ON LONG-TERM CONTRACT, BUT CABOT EXPECTED FORMAL SIGNATURE WITHIN SHORT TIME.

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